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BEFORE THE
SURFACE TRANSPORTATION BOARD

TTX COMPANY – APPLICATION FOR APPROVAL OF POOLING OF CAR SERVICE
WITH RESPECT TO FLATCARS

FINANCE DOCKET NO. 27590 (SUB-NO. 3)

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**RESPONSE OF TTX COMPANY
TO
REQUESTS FOR INFORMATION**

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November 16, 2009

Contains Color Images



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TTX Company ("TTX") hereby responds to the requests for information served September 25, 2009 by the Surface Transportation Board ("STB" or "Board") in connection with the monitoring report to be prepared in this proceeding by the Office of Public Assistance, Government Affairs and Compliance ("OPAGAC" or "Office").

I. INTRODUCTION AND SUMMARY

In its Decision served August 31, 2004, in this proceeding, the STB extended TTX's flatcar pooling authorization for ten years, until October 1, 2014. TTX Company, et al. – Application for Approval of the Pooling of Car Service with Respect to Flatcars, STB Finance Docket 27590 (Sub-No. 3) (served Aug. 31, 2004) (hereinafter the "2004 Decision.") The STB also directed what was then the Office of Compliance and Enforcement to "prepare a monitoring report at the end of year 5 of the 10-year term authorized by this decision."¹ On September 25, 2009, the STB directed TTX to provide certain information to facilitate the preparation of the monitoring report; namely, information regarding TTX's fleet size, utilization rates, cars in dedicated "16(c)" pools,

¹ The responsibilities of the Office of Compliance and Enforcement have now been assumed by OPAGAC.

and certain information regarding efforts to provide specialized flatcars for the Department of Defense. This filing responds to that request.

The past five years have tested the resilience of the pool in ways that it perhaps has never before experienced. The years immediately following reauthorization were periods of high economic activity for railroads, producing car shortages across many non-TTX car types and high utilization of cars in the flatcar pool. The fact that railroads were able to utilize pool cars to fill their equipment needs minimized car shortages and facilitated the movement of record levels of freight.

The past two years, however, have seen extraordinary traffic reductions in the markets served by flatcars: intermodal, finished vehicles, and lumber for home construction. Under these adverse circumstances, the TTX member railroads' ability to reduce expenditures by placing pool cars in a "stored serviceable" status (thereby obtaining relief from car hire payments) allowed the railroads to reduce their car expenses in a slow market. In both economic climates – high and low market demand -- the pool concept helped the railroads by reducing cost and maximizing equipment availability to the benefit of the shipping public.

In this Response, TTX will

- Summarize the 2004 Decision approving the reauthorization of TTX's pooling authority for ten years;
- Describe TTX's operations in the years since reauthorization and supply the data requested by the Board; and
- Discuss new initiatives that TTX has undertaken to meet market demand and make the flatcar pool even more useful to member railroads and their customers.

II. THE TTX FLATCAR POOL REAUTHORIZATION DECISION

Under 49 U.S.C §11322(a), rail carriers may not “pool or divide traffic or services or any part of their earnings” without approval and authorization of the STB. Pooling agreements may be approved if the Board finds that pooling (1) “will be in the interest of better service to the public or economy of operation;” and (2) “will not unreasonably restrain competition.” *Id.* In determining whether to approve a pooling agreement, the STB considers whether any anticompetitive effects are outweighed by efficiencies or other public benefits flowing from the arrangement. 2004 Decision, at 7.

The TTX flatcar pool was first approved in 1974.² Over the years, the STB and its predecessor, the Interstate Commerce Commission, have reviewed several applications for reauthorization of TTX’s flatcar pooling authority and repeatedly found the pool to be a pro-competitive force in the supply of railroad flatcars because it achieves significant efficiencies without imposing any restriction on the participating railroads’ ability to procure cars from other sources.³

In its 2004 Decision, more than 60 interested parties offered comments in support of a reauthorization, including the National Industrial Transportation (“NIT”) League, the Intermodal Association of North America (“IANA”), major steamship lines, truck lines, suppliers, the Department of Defense, and two automobile manufacturers. Opposition to the reauthorization came principally from certain rail car leasing companies, and even

² American Rail Box Car Company and Trailer Train Company et al., 347 I.C.C. 862 (1974), approving both the boxcar pool in Finance Docket No. 27589 and the flatcar pool in Finance Docket No. 27590. The flatcar pooling agreement also applies to flatcars on which carrier-owned automobile racks have been attached. The “autorack” cars operate under a separate pool governing the racks: the Multi-level Pooling Agreement or “Reload Pool.” The Baltimore and Ohio Railroad Company et al., - Pooling of Car Service Regarding Multi-level Cars, Fin. Docket No. 29653 (Rev. Bd. Slip Op. served August 19, 1981).

³ See Trailer Train Co. – Pooling – Car Service, 5 I.C.C. 2d 552, 562 (1989); TTX Company, et al. – Application for Approval of the Pooling of Car Service with Respect to Flatcars, Finance Docket No. 27590 (Sub-No. 2) (served Aug. 31, 1994).

then they sought only to limit the length or breadth of the reauthorization and not to reject it outright.⁴

In 2004, the STB extended TTX's authority to operate the flatcar pooling arrangement, for another 10 years, to October, 2014. The STB found that TTX "consistently has produced significant, undeniable benefits to railroads and shippers that could not have been achieved as easily, if at all, in the absence of the TTX flatcar pool." 2004 Decision, at 7. The Board found that the pool generates benefits in new and innovative equipment, standardized fleet repair, spreading of capital risk, and efficient equipment distribution, and, as a result, promotes the railroads' efforts to become revenue adequate. Id. at 7-8. Although certain parties requested that TTX's authority be limited to intermodal flatcars only, the STB found no merit in such limitation, indicating that "[p]ooling specialized flatcars results in improved asset utilization, largely because of TTX's understanding of railroad network operations, its extensive experience in fleet management, and its direct relationship with its railroad members." Id. at 9.

III. DESCRIPTION OF TTX's OPERATIONS IN THE LAST FIVE YEARS AND RESPONSES TO THE BOARD'S DATA REQUESTS

The TTX flatcar pool has continued to generate the same kinds of benefits for the TTX member railroads and the shipping public in the last five years that the Board discussed in its 2004 Decision. Indeed, even faced with the challenges of the economic slowdown that started in 2007, the pool has played a different but equally valuable role in preserving the health of the rail industry.

⁴ One firm also opposed TTX's repair operations.

A. *TTX Has In the Last Five years Continued to Supply Efficient, Low-cost Equipment, Benefitting the Industry Both in Times of High Demand and During the Economic Slowdown.* Five years ago, when TTX filed its Application to Reauthorize the Flatcar Pool, the railroad industry was experiencing a period of extremely strong demand. Consumer goods from Asia, which is the single most important intermodal market, were flooding into the United States and the market was shifting to utilize more 40-foot international containers and 53-foot containers and trailers and rely less on the 48-foot container or trailer. Lumber moving on centerbeam flatcars was in great demand to supply the expanding housing market and the auto industry was experiencing a strong period after fuel prices had abated. Since 2007, however, the economy has significantly worsened and rail traffic has fallen off dramatically. These conditions have required continuing adjustments to the flatcar pool.

Attached here at Exhibit A, and responding to the STB's first data request, is a chart showing the size of TTX's flatcar fleet from 2004 to 2009. This chart clearly shows the growth of the fleet in the earlier years, especially in the intermodal area, as demand for capacity rose, and the slight contraction in later years as TTX began to retire equipment that was no longer needed. In particular, as the industry has shifted to containerized freight ("COFC"), TTX increased its doublestack capacity 60%, from 19,653 cars to 31,396 cars. At the same time, conventional equipment has contracted with the decreased reliance on trailer-on-flatcar ("TOFC") service. The capacity of the conventional fleet fell in the same period from 17,085 to 12,403 cars. The automotive fleet has remained relatively stable with a slight increase in capacity from 52,493 cars to 52,731, and the general service fleet increased approximately 17%, largely driven by the growth of the housing market. The total expenditure for new car purchases during this

period was nearly \$1.8 billion for the flatcar fleet.⁵ Clearly, TTX has made fleet changes in recognition of the changing competitive landscape.

Pooling facilitates efficient utilization due to the reduced empty miles experienced by pool cars, a characteristic that is especially important in periods of high demand. The pool structure offers its railroad participants an equally valuable benefit during periods of low demand because the carriers can readily obtain relief from TTX car costs. Rail carriers are charged daily (and sometimes per mile) rates for TTX cars whenever they are on the lines of a particular carrier. However, regardless of whether the cars are in a free running "national" pool or have been given a 16(c) designation, member railroads can place unneeded cars in a "stored serviceable" condition on their lines and (unless the cars are in demand elsewhere) the cars will stop incurring per diem charges so long as they are stored (i.e., not moving) and after the passage of a 5-day "turn back" period. (Some cars, like TTX-owned autoracks, have a 15-day "turn back" period.)

Exhibit B shows the utilization rates for the flatcars during the last five years (and also responds to the Board's second data request).⁶ Exhibit B clearly demonstrates how the carriers have been able to place the cars in storage and take them "off the clock," saving substantial expense. Especially as traffic declined after 2007, the percentage of cars in service fell dramatically from 93.2% of total intermodal in 2004 to 76.9% in 2008 and 66.7% for 2009 year-to-date. The general service fleet fell even more from 84.5% in 2004 to 45.5% for the year-to-date in 2009. Although the member railroad is responsible for storing the cars on its line (up to a pre-established share) it no longer pays car hire. Had it leased cars for a set term, it would be required to pay for those cars whether they

⁵ Additionally, TTX spent \$450.8 million for boxcars and gondolas during the same period.

⁶ TTX does not necessarily know when cars are in active service; cars are presumed to be active when not placed in storage pursuant to the Form A Car Contract procedures. Therefore, the data on Exhibit B reflect cars either stored (for which no per diem or mileage payment is due) or not stored (and per diem, and sometimes mileage, payments are due). TTX cars with foreign autoracks attached cannot be stored without removal of the racks. TTX cars with TTX-owned autoracks may be placed in storage.

were needed or not. With pool cars, TTX assumes the burden of ownership and the risk.⁷

B. TTX Has Implemented Changes to Reduce Reliance on 16(c) Designations to Route Specialized Flatcars. In the 2004 reauthorization proceeding, certain railcar leasing companies objected to the extension of pooling authority to the specialized fleet of flat cars including centerbeams, bulkhead flats, chain tie-down cars, pipe cars, and small fleets of other flatcars. Their argument was based in part on an assertion that these cars are frequently placed in so-called "16(c)" pools, referring to AAR Car Service Rule 16, which lets a railroad direct an empty return to either a shipper, station, or other commodity pool designation. They asserted that, inasmuch as these cars were not "free running," the pool did not generate sufficient benefits.

The Board rejected that argument, finding that there were many other benefits to the pool that justified the extension of authority, and that the free running nature of cars was not critical. It also found that the cars were, indeed, free running to the extent that they still could be returned on 5 days' notice. 2004 Decision, at 12. Moreover, as TTX pointed out in its response, TTX and the railroads' car management staffs frequently swapped cars between the 16(c) pools in order to increase efficient utilization.⁸

As noted, one of the principal benefits of using pool cars, either in a free running fleet or for cars in designated 16(c) railroad assignments, is the ability to take a car "off the clock" and to store it with no per diem or mileage payment due. Exhibit C shows the

⁷ The fact that cars may be placed in storage and taken off the clock places upon TTX a risk that must be carefully managed. To date, TTX has been able to cut costs and preserve its high credit rating, despite these significant challenges.

⁸ TTX will "swap" like cars from one 16(c) pool into another in order to maximize loaded time. Additionally, there are particular market conditions that are better suited to the use of the 16(c) designation. For example, a boxcar that handles Municipal Solid Waste should be placed in exclusive MSW service and not be left to appear for any other type of load. A pipe shipper whose siding has a tight curvature needs to receive only 60-foot cars because the standard 89-foot flatcar cannot be accommodated and so a 60-foot car assignment is appropriate.

number of cars under 16(c) designations and those placed in a stored status for the years 2004-2008 (and responds to the Board's third data request). (On Exhibit C, TTPX cars are bulkhead flats; TTZX cars are centerbeam flats; COFC reflects 60-foot intermodal cars that were repurposed and transferred into the general equipment fleet in 2006 for 20-foot container hauls; and the "other" category includes specialized cars for coiled rods, ingots, windmill parts, poles, and other miscellaneous commodities.)⁹ Clearly, as the market fell off for the materials carried on centerbeams, bulkheads and other cars, the railroads began to take the cars off the clock and store them. Hopefully, as the economy begins to turn around, these cars will return to service.

C. *TTX Has Taken Steps to Respond to Concerns from the U.S. Army Military Surface Deployment and Distribution Command ("SDDC").* In its September 25, 2009 Order, the STB asked about the progress of a joint working group, the Assured Access Cross Functional Working Group (AACFWG), that had been instituted by the SDDC in connection with the carriers to address common transportation issues. The Army principally uses the pool's chain tie-down fleet to transport heavy equipment.¹⁰ In 2004, the SDDC submitted comments strongly supporting the extension of the TTX flatcar pool, applauding TTX's role in maintaining a greater number of chain tie-down cars in service than would otherwise have been the case were those cars owned by individual railroads and citing TTX's "long history" of responsiveness to the SDDC's unique equipment needs. However, it expressed concern over the railroads' management of

⁹ Exhibit C shows average fleet size data, instead of the "snapshot" of the fleets as of the beginning of the year on Exhibit A. In 2005, TTX established centrally managed pools for the TTZX (centerbeam) and TTPX (bulkhead) flatcars and the railroads have, since then, removed the 16(c) designation from certain cars. At this point, 64% of the centerbeam fleet and 62% of the bulkhead fleet have had the 16(c) designation removed and are being centrally managed. Therefore the number of cars on Exhibit C in those car types fell off over time as more cars were placed in free running status.

¹⁰ A chain tie-down car is a flatcar with several tracks running down the deck to which chains and tie-down equipment can be attached. The tracks permit chains to be adjusted so that items of various sizes can be tied down to the car. Chain tie-down cars are utilized by two groups: the military and shippers of large equipment, such as tractors, farm machinery, earth movers, etc.

the fleet, complaining that carriers were staging equipment in a way that did not maximize efficient utilization. SDDC urged the Board to direct TTX and the carriers to take steps to improve efficiency. 2004 Decision, at 11. At the time, TTX replied that it was already working with AACFWG to pursue improvements and the Board concluded that, while it was available to facilitate further discussions, the carrier-SDDC efforts could lead to improvements without STB interference. Id.

In response to the SDDC's concerns, TTX held its own "Chain Flat Summit" on March 7-8, 2005 in TTX's offices that brought together representatives from the SDDC, TTX, and railroads to discuss improvements to car utilization and response time. In brief, the parties were able to exchange a number of ideas that helped both sides understand the nature of military movements, on the one hand, and railcar distribution, on the other.¹¹

After a thorough discussion, the group determined that some manner of centralized car distribution of TTX's chain tie-down fleet appeared feasible; however neither TTX's intermodal nor multilevel distribution model could be used because of different characteristics between military loadings and those markets. Issues include accommodating both military and commercial users, low car utilization except for military peak usage, the erratic nature of military demand and the infrequent loadings at most military railheads making it impractical to route empty cars in expectation of future shipments, and establishing a new mechanism for funding the fleet. Working through these issues has been a time-consuming process; however, TTX is committed to devising pooling arrangements for its chain tie-down fleet that will meet with the approval of its member roads and the SDDC.

¹¹ The Assured Access Cross Functional Working Group was a DOD-sponsored effort that met once in April, 2004 and TTX does not have the authority to prompt action under the auspices of that group. However, the Chain Flat Summit was convened to advance the same interests and its work has continued informally in the last 5 years.

Apart from its efforts to improve utilization, TTX has taken other steps to improve car availability to the SDDC including the following:

(1) TTX has changed its specifications on new general purpose steel-deck XTTX and PTTX flatcars so that they include pre-cut pockets that can be used to lock containers to the deck and multiple deck holes for attaching chain tie-down fixtures. TTX's 600 newest 89-foot flatcars have these new features. These cars will be positioned to supply a very quick surge fleet in the event of a rapid deployment or withdrawal of material in the future.

(2) TTX has received approval from the Association of American Railroads (AAR) to extend the life of its 60-foot cars in order to maintain the fleet size for SDDC moves. Ordinarily, freight cars built before July 1, 1974 have a useful life of 40 years but through rehabilitation consistent with AAR standards, the lifespan of cars can be extended an additional 10 years. (All cars built after July 1, 1974 have a useful life of 50 years.)

(3) TTX has also qualified a sub-group of these cars (approximately 4300 cars) with the AAR and the Federal Railroad Administration to give them an additional 15 years for a total of 65 years of life, again maintaining the fleet for SDDC moves. This project reflects an investment of \$700,000 in testing and development, which will principally support the military traffic. (Capital funds have not yet been identified to complete this project.)

Through these efforts, TTX is committed to working both with the railroads and the SDDC to maintain and improve the efficiency of its chain tie-down fleet, to meet the essential needs of the military now and in the future.

The last five years have been a period of significant challenge through both the booming economic period in the early part of the decade and the recessionary period

beginning in 2007. Like the rest of the industry, TTX has had to make significant cost reductions to maintain its cost structure. What has not changed, however, is the benefit experienced by the rail industry and its customers from the presence of the TTX car pool.

IV. TTX HAS TAKEN OTHER STEPS TO IMPROVE THE POOL SINCE THE 2004 PROCEEDING

It is TTX's mission to continuously improve the performance of the flatcar fleet and its reliability and to remain focused on the needs of the industry as they arise. To that end, the last five years have been eventful as TTX has embarked on other projects to make the flatcar pool more efficient and customer-responsive.

A. TTX Has Taken Steps to Improve the Availability of Autorack Cars. In 2004, two commenters from the automobile industry, Daimler Chrysler and Ford (who filed together) supported extension of the pool for five years. In other comments, however, they focused on the railroad industry's efforts to meet demand for rail transportation of finished vehicles. They called for a planning board to "address railcar demand projections and industry efforts to meet future demand." 2004 Decision, at 11. As it did with the SDDC's comments, the Board offered to facilitate discussions among the railroads and the auto companies to address demands. However, as is well-known, the current recession has driven down market demand for finished vehicles substantially. While there have been localized railcar shortages due to individual issues, there have been no broad-based shortages. Indeed, as of this writing, approximately 5% of the tri-level fleet and 25% of the bi-level fleet is stored.¹²

¹² When racks are still attached, the data on Exhibit B would not show the car as "stored" because that data is based on whether the cars are incurring car hire or not.

TTX has, however, worked with the railroads on a joint program to improve the reliability of its autorack fleet.¹³ The autorack fleet in the years leading up to 2004 was characterized by a high "bad order" ratio, compared to other car types. A management initiative was created to investigate the reason for the high bad order numbers. The initiative determined that automotive cars averaged 120 car-days-in-shop compared with 77 days-in-shop for other car types. TTX management established the Asset & Shop Management Group which was charged with the responsibility for reducing shop days. The Group monitored shop through-put daily, reduced wreck car days-in-shop by working with the rack owners, established weekly conference calls with the shops, monitored the delivery of parts to the shops by vendors, and monitored cars idle over 60 days.

In the last three years, the Group's effort has paid off in substantially improved bad order ratios both for cars with tri-level and bi-level racks. In 2006, tri-level cars were experiencing an 8.1% bad order ratio and bi-levels were at 4.9%. These figures have been reduced steadily so that as of March, 2009, the same fleets are at ratios of 2.5% and 1.5%, respectively, beating the overall goal of 3.0% bad order. By August 2008, shopped cars averaged 67.2 car-days-in-shop (down from 120), adding 52.8 available car days or another potential two loaded trips per every 30 days reduced. The additional capacity freed was enough to increase car supply to the carriers and reduce shortages.

B. TTX 48-foot Well Cars Conversion Program. In the 10-year period prior to the most recent reauthorization, TTX spent \$500 million on modification and conversion programs. TTX Application, Reardon Verified Statement, at 9. Since 2004, TTX has

¹³ Autorack cars generally consist of a TTX-owned flatcar to which is attached a rack that is owned by a railroad participant in the "Reload" pool. TTX operates the Reload pool under a contract with the Multilevel Pooling Executive Committee (MPEC). The Reload pool was approved by the Interstate Commerce Commission in 1981. The Baltimore & Ohio Railroad et al., -- Pooling of Car Service Regarding Multi-level Cars, Fin. Docket No. 29653 (Rev. Bd. Slip op. served Aug. 19, 1981).

spent \$380.7 million on similar programs (including expenditures projected to the end of 2009). The largest program is TTX's 48-foot well conversion program. One of the most significant changes in the intermodal arena in the past decade has been the shift from 48-foot containers to 40-foot containers now used in international shipping. As a result of this shift, the 48-foot well car is no longer commercially preferred. Loading 40-foot containers in 48-foot wells wastes eight feet of length per well, an inefficient utilization of space. The trains with length limitations (because of siding length, for example) carry fewer containers when there is inefficient space utilization.

In response to this shift in shipping practices, TTX embarked on a multi-year program to cut down the length of its 48-foot wells, a significant project involving, literally, removing a section of the car well and reconnecting the pieces. This work, which is not yet complete, has been done in TTX's own shops.¹⁴ Thus far, TTX has expended \$133.5 million on the work which began in 2002.

C. *TTX Uni-Level Car.* The new TTX Uni-Level car is a fully enclosed, single level railcar intended to transport rubber-tired vehicles that are too large to be accommodated in bi-level or tri-level autoracks, a market in which the railroads do not currently participate. Uni-Levels carry recreational vehicles (RV's), buses, Class 8 (heavy duty) tractors, Class 4-7 (medium duty) trucks, military vehicles and large vans. (A photograph of the Uni-Level car is attached as Exhibit D.) TTX conducted extensive market research with manufacturers and shippers to determine the overall specifications for the cars and the special features. TTX built three prototype cars in its own shops and conducted field trials and numerous test loads to confirm the initial research.

Innovative features of the Uni-Level include:

¹⁴ The 48-foot cutdown program was suspended temporarily in August, 2009 during the recession.

- Tri-Fold end doors (similar to highway trailers) to permit loading through the full interior width of the car;
- Special chocks, harnesses and straps to secure the loads;
- Special bridge plates, so loads can be driven through multiple cars, enabling loading or unloading of multiple cars without the need for extensive switching; and
- Installation of high speed trucks to permit high speed rail movements.

In 2008, TTX took delivery of 200 cars. The new flatcars have been built by Kasgro and National Steel Car. TTX has applied for patent protection on the door design. The Uni-Level car is the first wholly new car design in many years. It carries the mark "TTUX."

D. "Flatcar of the Future." New railcars have a useful physical life of at least 50 years but it is impossible to predict the state of markets that far into the future.

Maximum flexibility, designed up front, will help ensure that new railcars enjoy maximum utility throughout their useful life, providing a better product to the industry and reducing costs. To that end, TTX has developed a system of removable risers and the Yellow Dog fastener system¹⁵ to attach them to standard 89-foot flatcars in order to meet changing needs. Many loads require risers to attach the product or cradle the product on the car. By making the risers removable, the car can adjust to accommodate different loads without time-consuming and expensive retrofits. The Flatcar of the Future, which bears the mark XTTX or PTTX, has the following characteristics:

- 89-foot, 110-ton flush deck flat car;
- Equipped with deck holes;

¹⁵ Yellow Dog® is a trademarked name. A "Dog" is a slang term for a fastener.

- Easy application of risers through the new Yellow Dog fastener system;
- Without risers attached, cars can be used as a chain tie-down car;
- With risers, cars can carry steel (plate, pipe, coils) and other products;
- Cars may have removable bulkheads; and
- Cars may also be equipped with lading strap anchors, stake pockets and web strap winches.

A photograph of the experimental car is attached here at Exhibit E equipped to carry pipe. Currently, TTX has 200 of the new cars equipped with the deck holes in service, while the Yellow Dog fasteners are in field testing.

E. Wind Energy Cars. Wind power generation in North America is one of the fastest growing renewable energy sources. The primary vehicle used to capture energy in wind and convert it to electricity is the wind turbine. In 2008, wind power generated about 1.5% of the electricity produced in the United States. There are four major components of a wind turbine: towers, nacelles (the generator housing), hubs (in the center of the blades), and blades. Most blades are imported and need to move into the interior of the country – to the West and Midwest which are regions suitable for wind farms -- with rail providing a growing part of the logistics solution. However, moving extremely long blades, very heavy nacelles, and high/wide towers presents a substantial logistics challenge for any carrier.

TTX has worked with the railroads and their suppliers to retrofit former five-unit, 48-foot intermodal spine cars and 89-foot flatcars to handle blades that can exceed 150 feet in length. TTX has tested these cars in revenue service with several railroads and customers have expressed an interest in the cars for future moves. The railroads are also using TTX bulkhead flatcars and heavy duty flatcars to handle the nacelles and

hubs. Finally, TTX is gathering information from manufacturers with the goal of designing universal systems to secure fixtures for wind turbine components from different companies, maximizing the utility of the pool cars.

F. Electronically Controlled Pneumatic Brakes. TTX has embarked on an experiment with one of its owners, Union Pacific Railroad, to install two trainsets of double-stack cars with electronically controlled pneumatic brakes ("ECP brakes"). The ECP brakes offer operational advantages because the brakes for the train are immediately applied from the engine without the need for changes in air pressure to travel throughout the length of the train. As a result, trains can be stopped more quickly and the distance between trains can be reduced, improving efficiency. The ECP brake trains have been operative since December, 2008 and TTX is tracking the maintenance costs on these cars and utilizing wayside detectors to monitor the overall car performance.

In summary, TTX is continuing its efforts to develop new products and to re-purpose its equipment in order to meet current market demands and keep the cost of using pool cars to a minimum.

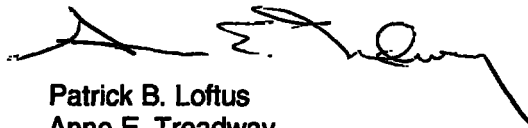
G. Other Developments at TTX. In addition to the fleet accomplishments of the last five years, TTX has experienced a change in ownership. In late 2007, the Ferrocarril Mexicano S.A. de C.V. (Ferromex) became a member of TTX by purchasing shares in the Company. In early 2008, the Florida East Coast Railway sold its shares of TTX stock back to the Company and became a non-member. Finally, the executive leadership of the Company changed with Mr. Andrew Reardon retiring in November, 2008 and Mr. Thomas Wells assuming the position of President of the Company and Chief Executive Officer. Mr. Wells has 25 years of experience in the railroad industry,

working first for the Norfolk Southern Railway where he was Assistant Vice President – Intermodal Services. He has been with TTX since 2001 where he was Executive Vice President and, prior to that, Senior Vice President – Fleet Management.

V. CONCLUSION

In the last five years, TTX has provided the same benefits to the rail industry as were detailed in its 2004 Application (and endorsed by the Board). Fundamentally, it continues to supply a fleet of high quality, low-cost railcars for the intermodal, finished vehicle, lumber, steel, and machinery markets. It does this by financing its own purchases, which allows member carriers to use their scarce capital on other projects. Further, TTX has developed innovative new equipment to meet changing markets, and re-used and retrofitted old equipment, thereby reducing costs. Finally, it has taken steps to address concerns of certain customers raised in the last proceeding to improve service and equipment availability. While the last year has been extraordinarily challenging for TTX, as it has for the rest of the railroad industry, the essential compact that is at the heart of the pool – low cost, reliable, and quality cars available for use by all pool members – has proven as vital and relevant as it was when first approved.

Respectfully submitted,



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Exhibit A

**Fleet Size - in
cars**

	<u>1/1/2004</u>	<u>1/1/2005</u>	<u>1/1/2006</u>	<u>1/1/2007</u>	<u>1/1/2008</u>	<u>1/1/2009</u>
<u>Intermodal</u>						
Double-stack	19,653	25,769	28,860	30,554	30,814	31,396
Conventional	17,085	16,876	17,230	14,707	13,147	12,403
Total Intermodal	36,738	42,645	46,090	45,261	43,961	43,799
<u>Automotive</u>						
	52,493	52,550	52,382	52,521	52,409	52,731
<u>General Service</u>						
Centerbeam	9,530	10,335	10,701	11,866	11,856	11,833
Bulkhead	3,287	3,539	4,278	4,273	4,265	4,261
Chain Flats	5,167	5,105	5,279	5,263	5,250	5,232
Heavy Duty	490	490	490	489	489	489
Other Flats	7,733	7,000	6,189	7,634	8,700	8,961
Total General Service Flats	26,207	26,469	26,937	29,525	30,560	30,776
TOTAL	115,438	121,664	125,409	127,195	126,930	127,306

Exhibit B

TTX Flatcar Utilization (Percentage of fleet in Revenue Service)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>YTD 2009 (Sep. 30)</u>
Double-stack	97.7%	98.0%	97.5%	89.9%	87.0%	75.0%
Conventional	87.2%	80.6%	63.0%	50.6%	52.4%	44.9%
Total Intermodal	93.2%	91.3%	85.6%	77.6%	76.9%	66.7%
Automotive	97.3%	97.5%	97.5%	97.9%	97.4%	96.0%
Centerbeam	99.3%	99.2%	86.4%	64.8%	45.9%	30.9%
Bulkhead	98.9%	98.7%	99.1%	98.9%	96.6%	47.8%
Chain Flats	83.1%	87.2%	78.2%	83.6%	86.6%	56.2%
Heavy Duty	32.2%	27.1%	38.0%	61.4%	68.5%	62.1%
Other Flats	62.8%	73.7%	80.4%	81.6%	76.5%	53.1%
Total General Service Flats	84.5%	89.3%	84.4%	77.4%	69.1%	44.5%

Exhibit C

TTX General Equipment 16 C Flatcar Data

		<u># of Railcars</u>	<u>% in 16C</u>	<u>Non-Revenue - Storage</u>	<u>% in Non-Revenue Storage</u>
TTZX	2004	10,203	100%	4	0.0%
	2005	8,509	80%	2	0.0%
	2006	4,280	40%	555	13.0%
	2007	4,278	36%	1,788	41.8%
	2008	4,267	36%	3,056	71.6%
	2009	4,278	36%	3,912	91.4%
TTPX	2004	3,319	100%	1	0.0%
	2005	3,258	92%	0	0.0%
	2006	1,710	36%	0	0.0%
	2007	1,629	38%	13	0.8%
	2008	1,606	38%	42	2.6%
	2009	1,623	38%	922	56.8%
Chain Flats	2004	5,130	100%	738	14.4%
	2005	5,137	100%	506	9.9%
	2006	5,275	100%	1,040	19.7%
	2007	5,255	100%	795	15.1%
	2008	5,240	100%	597	11.4%
	2009	5,228	100%	2,204	42.2%
Pipe Cars	2004	1,563	100%	212	13.6%
	2005	2,020	100%	137	6.8%
	2006	2,347	100%	78	3.3%
	2007	3,371	100%	166	4.9%
	2008	3,952	100%	449	11.4%
	2009	3,949	100%	1,787	45.3%
Total COFC	2004	1,277	100%	214	16.8%
	2005	1,219	100%	249	20.4%
	2006	1,182	100%	467	39.5%
	2007	1,165	100%	452	38.8%
	2008	1,154	100%	334	28.9%
	2009	1,138	100%	465	40.9%
Other 16C	2004	6,033	100%	2,070	34.3%
	2005	4,522	100%	1,052	23.3%
	2006	4,859	100%	1,069	22.0%
	2007	4,619	100%	1,008	21.8%
	2008	3,412	100%	767	22.5%
	2009	3,400	100%	1,285	37.8%
TOTAL	2004	27,525	100%	3,239	11.8%
	2005	24,665	91%	1,946	7.9%
	2006	19,653	67%	3,209	16.3%
	2007	20,317	67%	4,222	20.8%
	2008	19,631	66%	5,245	26.7%
	2009	19,616	66%	10,575	53.9%

2009 is YTD through September 30.

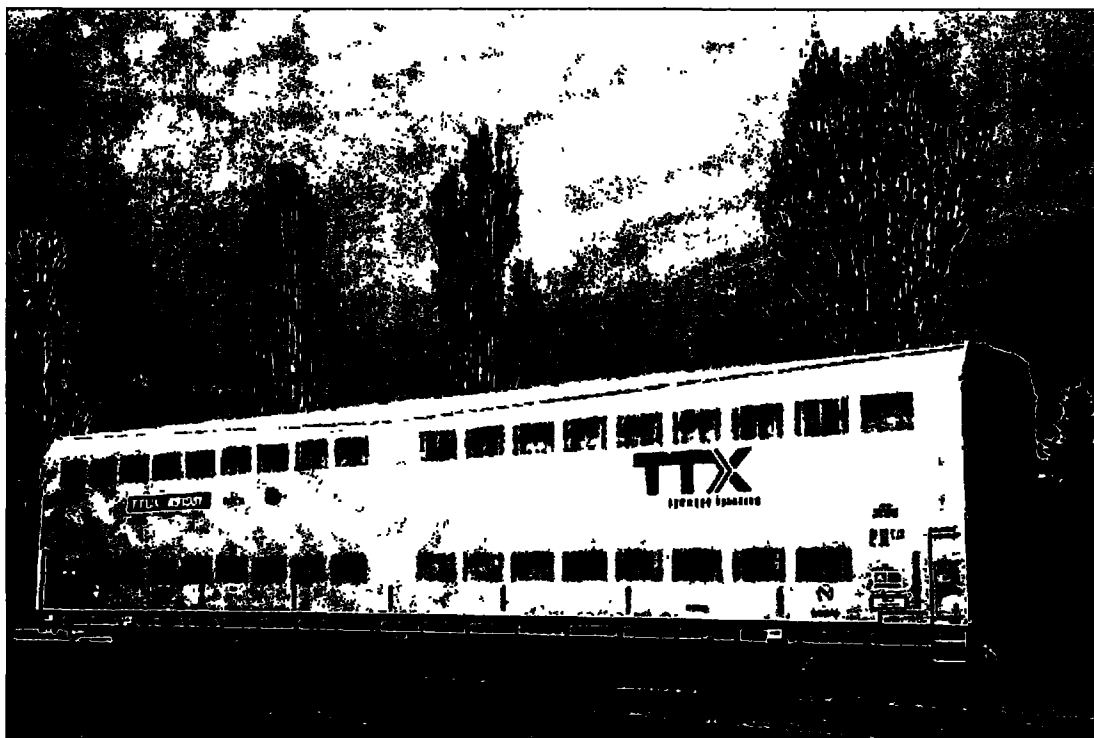
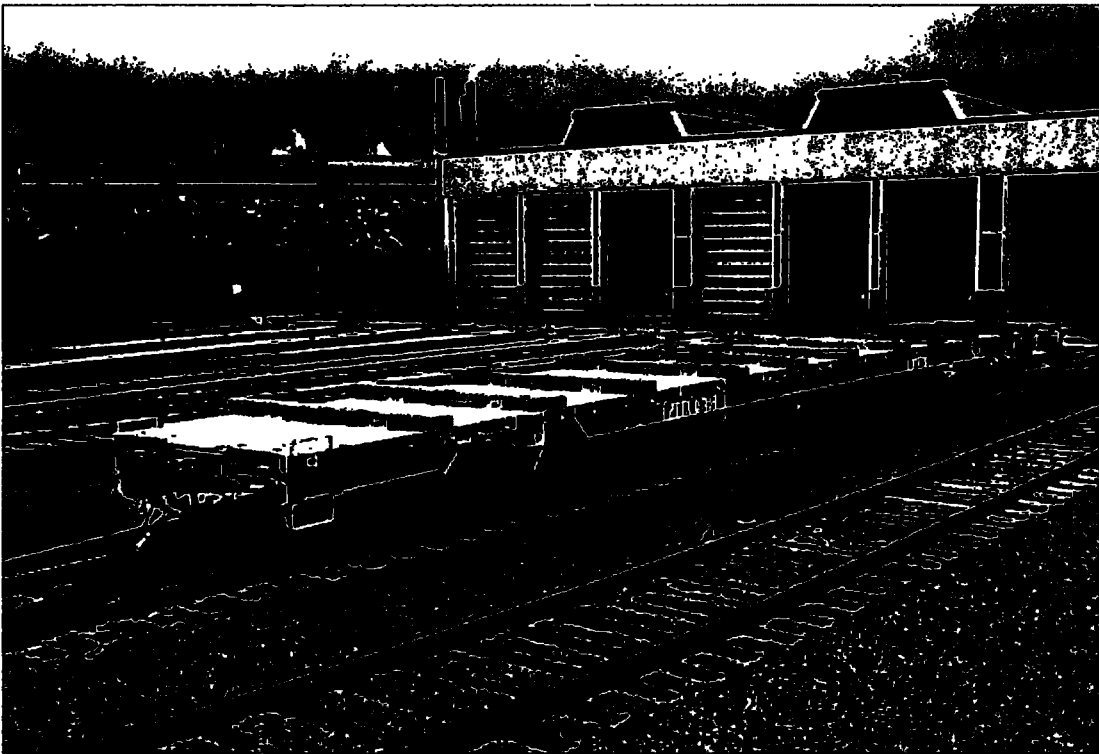



Exhibit E



CERTIFICATE OF SERVICE

I hereby certify that this 16th day of November, 2009, I caused a copy of the foregoing Response of TTX Company to Request for Information to be served by first class mail, postage prepaid, on all parties of record in Finance Docket No. 27590 (Sub-No. 3).



Anne E. Treadway